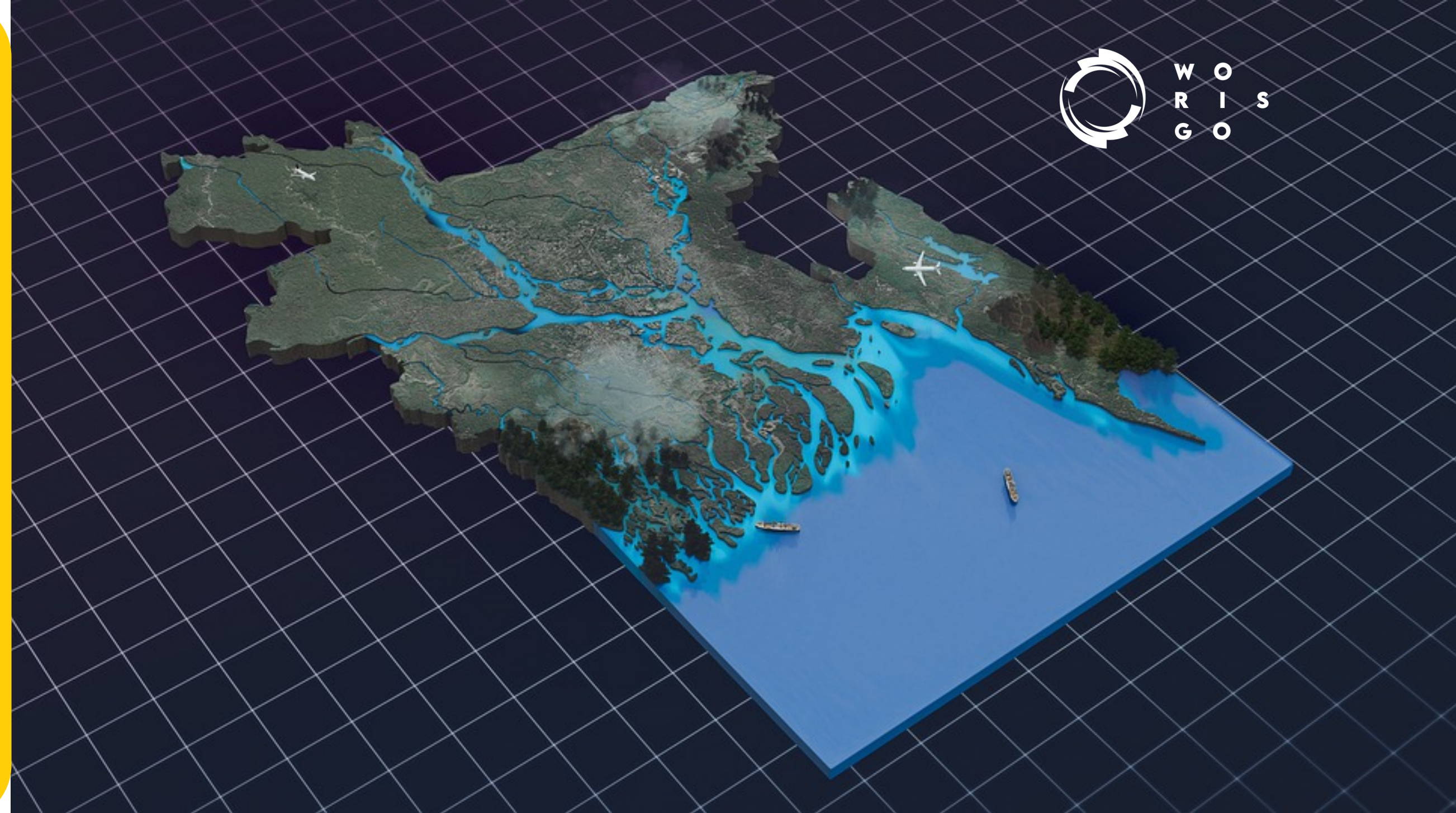


# **Bangladesh: Energy Crisis: A precursor to Global Energy crisis**



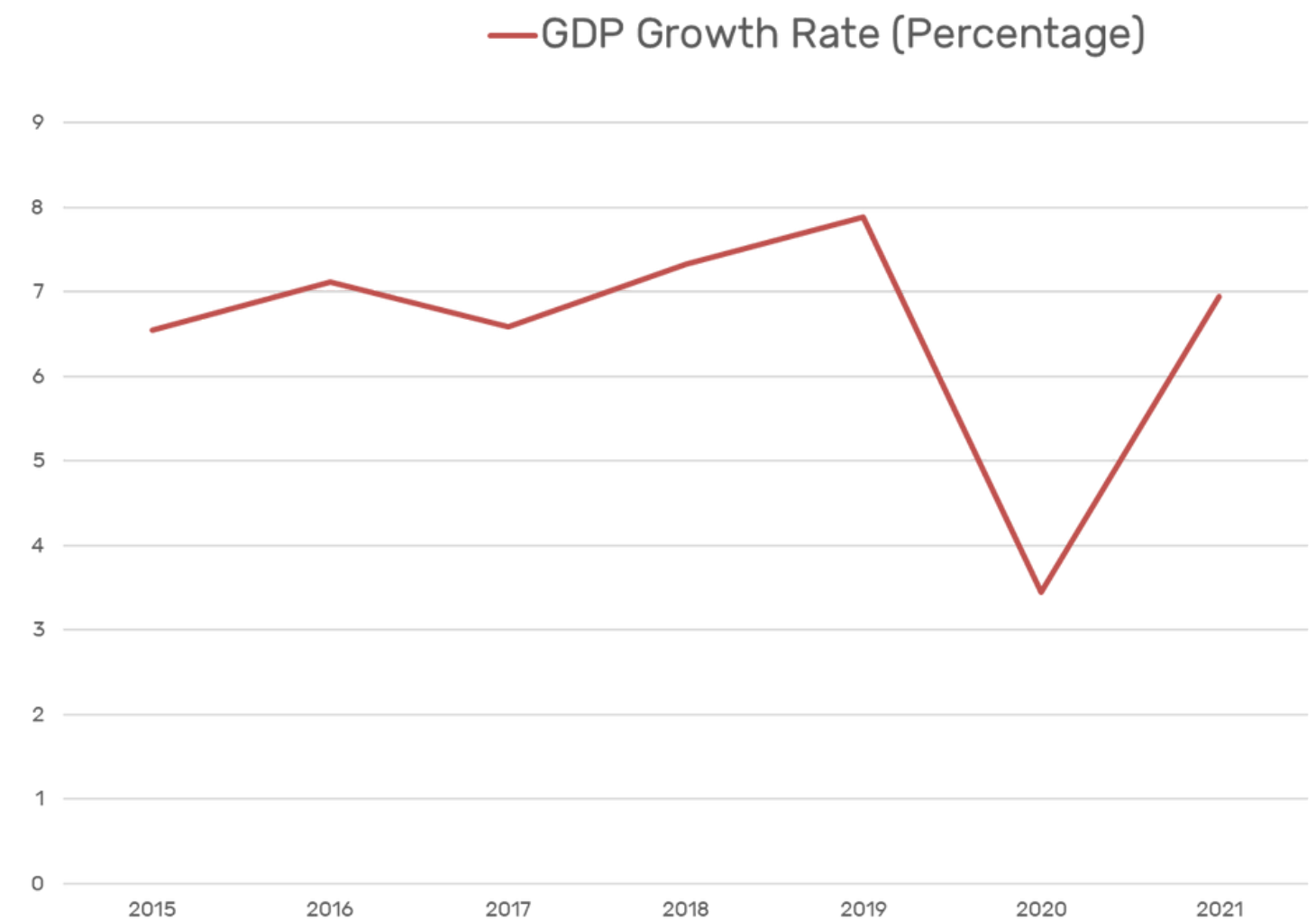
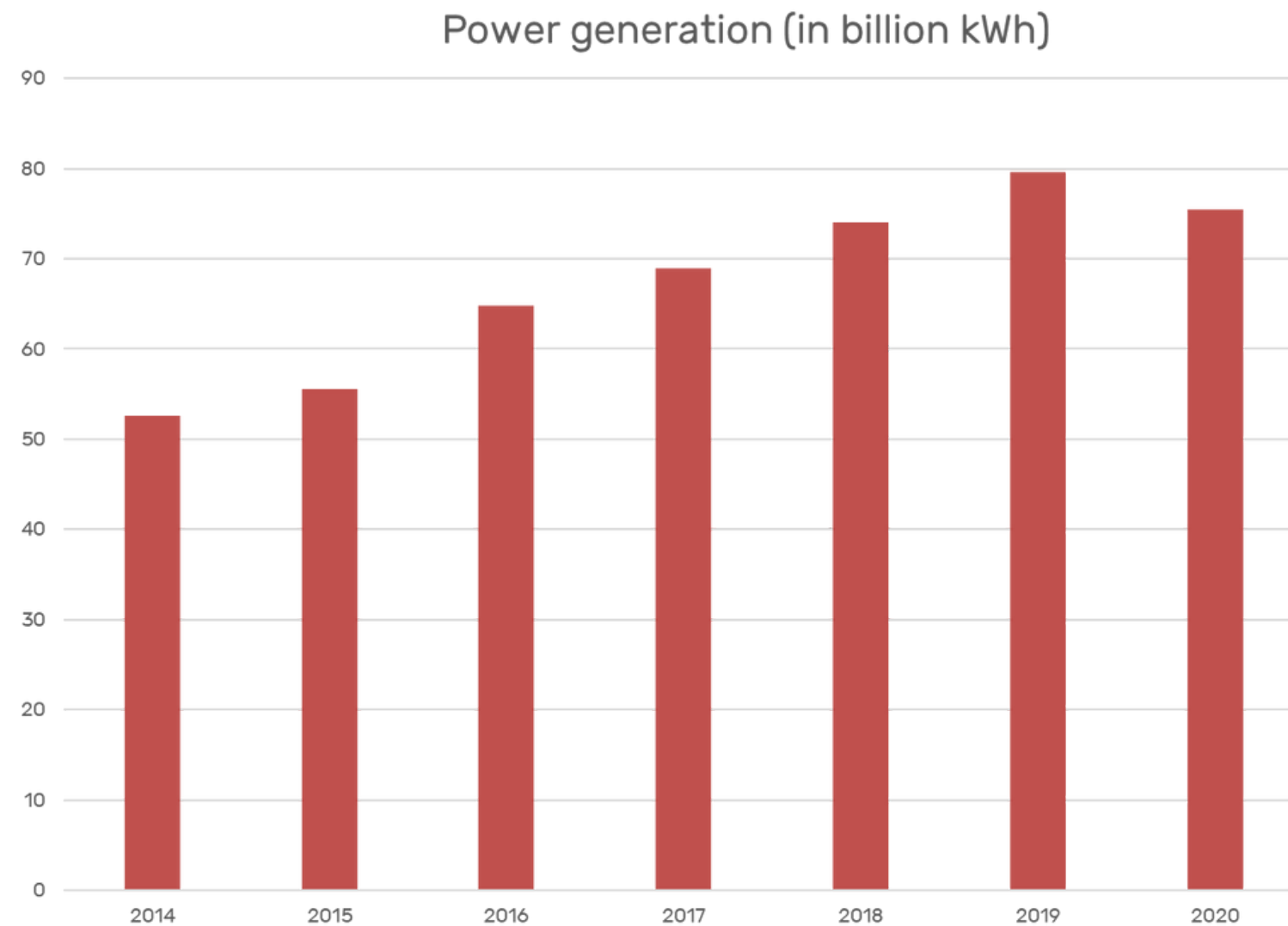
## **EXECUTIVE SUMMARY**

The Geopolitical situation of Conflicts, Climate change, need for renewable energy has resulted into challenges business ecosystem operations. Bangladesh, is pivot example of how macro and micro dynamics affect the energy crisis.

# Introduction

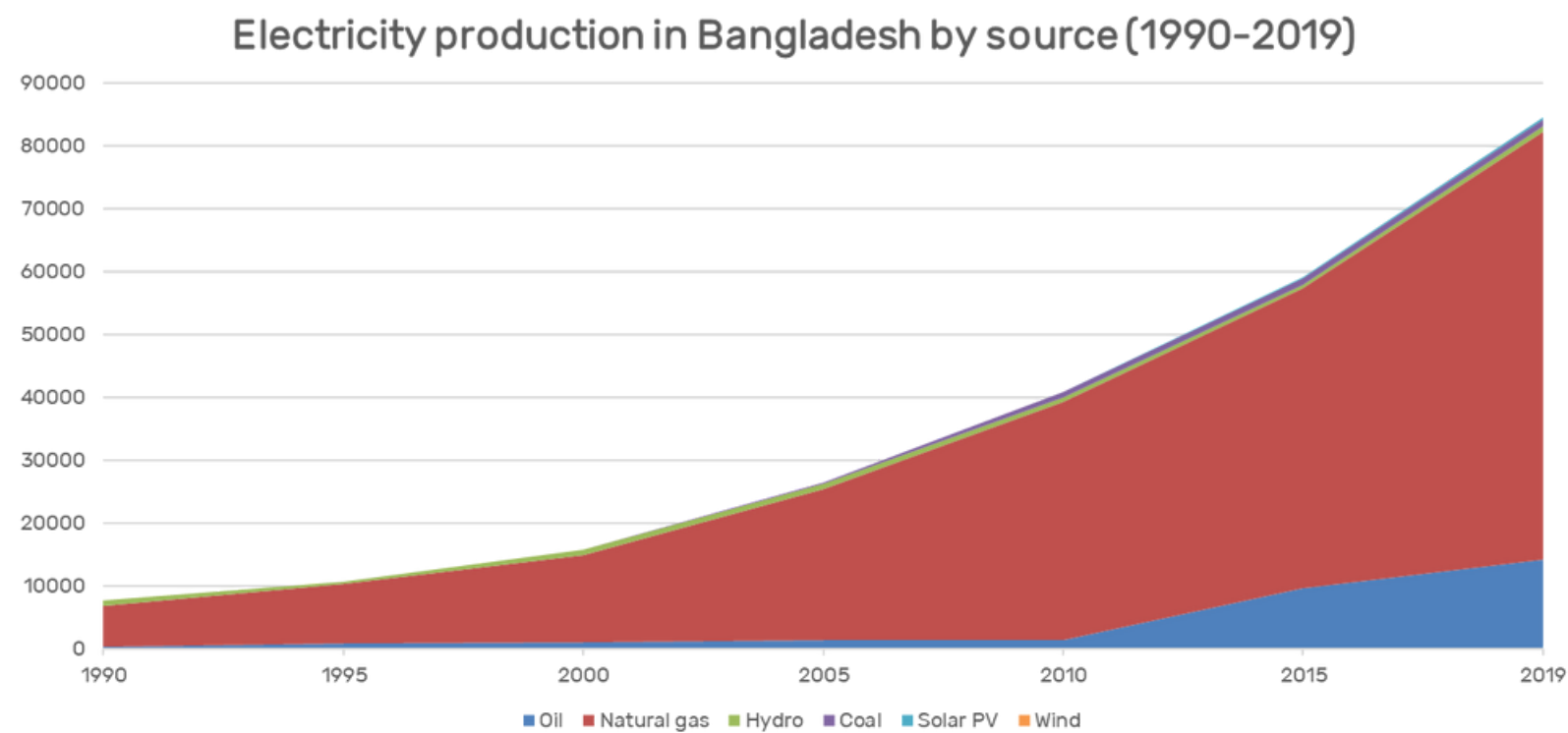


On 21 Mar 2022, Bangladesh's pronouncement on complete electrification impeded their long-term energy goals and instead launched them into a crisis. Since Jul, the government has introduced scheduled power cuts to mitigate the crisis. The country's energy situation is worsening due to rising energy prices, a higher demand for electricity, and a fall in power generation capabilities.



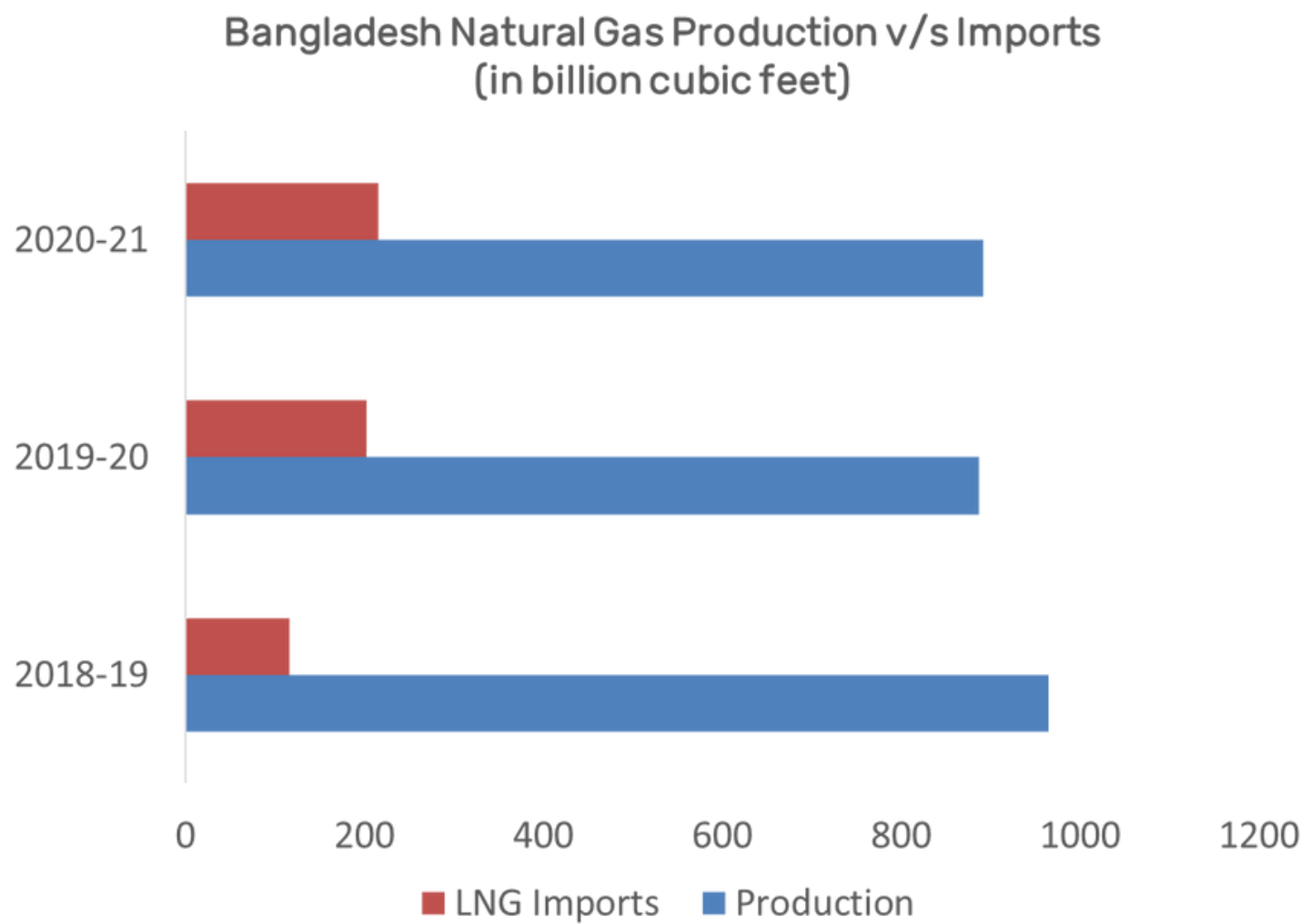


# Data Trends Of Bangladesh's Power Consumption

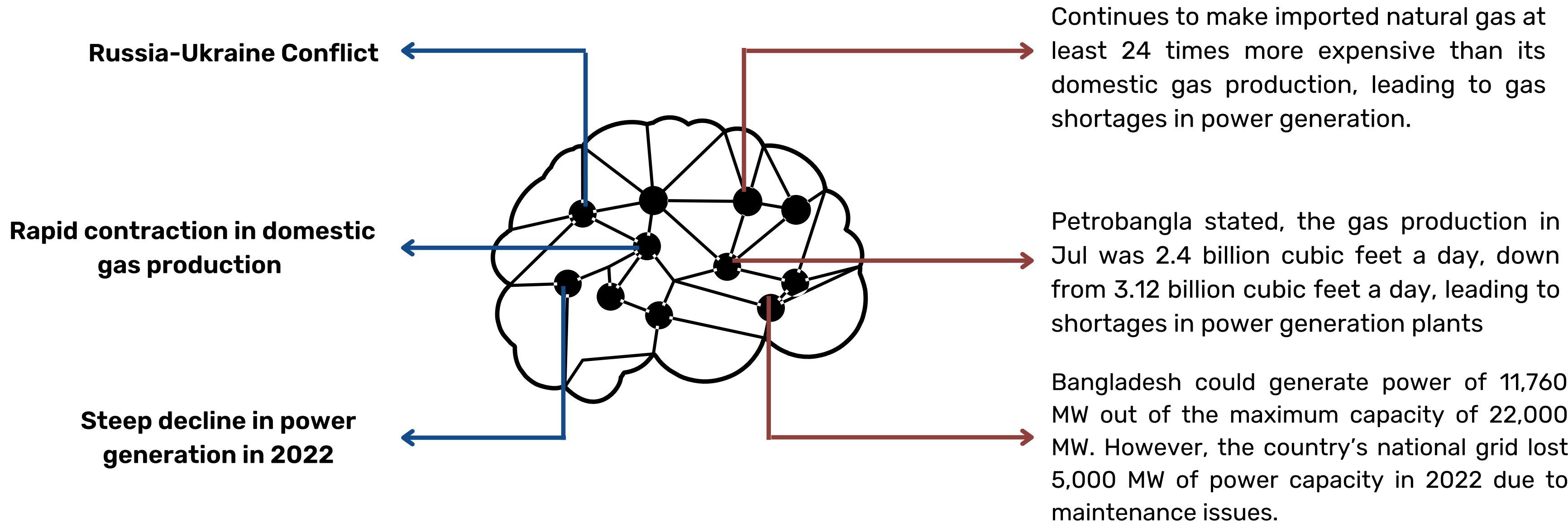


- Bangladesh's electricity production has consistently pivoted towards natural gas since 1990.
- Natural gas is used to produce power in the country.
- 62.9% of Bangladesh's generated power comes from Natural gas.

- Bangladesh's natural gas production has decreased, and the reliance on imports increased as the demand catapulted between 2018 and 2021.
- The increase in LNG imports is also attributed to the increase in demand for the commodity in households.



# Cause Effect dynamics & Regulatory steps



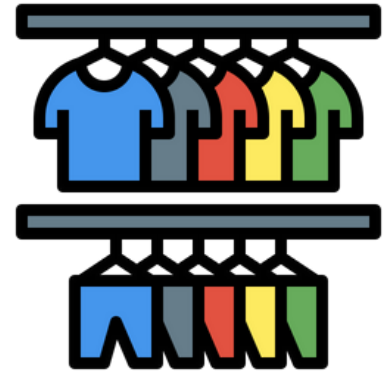
## Regulatory changes

### Business

- All ministries to reduce power consumption by 25% at all government offices.
- Finance Division to issue 20% less fuel for all public offices.
- Public office hours to be limited from 0900 hrs to 0300 hrs.
- Introduce online meetings to replace physical meetings for all government work.
- Staggered factory closures for one week for all industries.

### Citizens

- Closure of shopping malls, shops, restaurants, and business establishments by 2000 hrs, and hotels by 2200 hrs, across Dhaka.
- Ban on the use of decorative lights for social events and residences.
- Schools to remain closed on Saturdays.

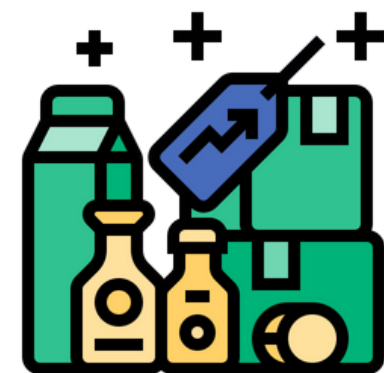


## Ready-made Garment (RMG) industry

- Plummy Fashions Limited, a supplier to PVH Corp (the parent company of Tommy Hilfiger) & Inditex SA (parent company to Zara), reported a 20% decrease in export orders in Jul 2022 from Jul 2021.
- One of the biggest textile mills, Israaq Spinning Mills Limited has reported a decline in production by 60% in 2022.
- Asia Composite Mills in the Gazipur Industrial Belt has reported a 50% decrease in production in 2022 due to power and gas shortages.

## Tannery industry

The Bangladesh Tanners Association had reported that they are facing a production crisis due to lack of bond license revival. The association has stated that the Department of Environment has cancelled licenses of 27 tanneries and expects more due to the power crises.



## Consumer industry

Operational costs for Consumer Goods & Commodities Industries will increase, as consumer goods industry's machineries take 2-3 days to restart from absolute closure, whereas commodities like cement factories take 8-10 days to restart.

# RAMIFICATIONS



## Geopolitical dynamics

- High possibility of Bangladesh finalising the deal to formalise its introduction in the Indian Power Exchange, allowing it to trade surplus power during any crisis.
- High possibility of Bangladesh to sign a bilateral deal with India to ensure long-term contracts for procuring Russian crude oil & natural gas to secure energy.
- Low possibility of Bangladesh reaching out to China for increasing power purchases.

## Privatisation of Energy sector

- High possibility of the power sector of Bangladesh to revamp to encourage the participation of private companies, especially Indian and American companies.
- High possibility of preparing plans to develop more coal-powered power plants in collaboration with USA, to increase power generation capabilities for the long-term.
- High possibility of Bangladesh allowing American & Indian oil and gas companies to explore oil and gas fields in the country in exchange for building oil powered thermal power plants.

## Economic ripples

- Medium possibility of the RMG industry to shrink in 2022, as consumer spending contraction in Europe and USA will lead to further export-cuts.
- High possibility of the Bangladesh government imposing limitations on imports of non-essential goods and services to maintain foreign reserves for energy purchases



## ABOUT THE AUTHOR

Sooraj Kashyap is a Risk Analyst responsible for the region of South Asia focusing on risk and threat assessment. He looks into Regional and Geopolitical analysis. He works extensively to provide tactical and strategic analysis as well as business resiliency analysis to the clients in the field of Oil & Energy Sector, Professional Services, Insurance, E-Commerce, Aviation, and Banking. He holds a Masters' degree in International Studies from Symbiosis International University, Pune, and a degree in Political Science from the University of Calcutta.



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